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EDAC M-65

November 1, 1957

ECONOMIC DEFENSE ADVISORY COMMITTEE

MINUTES

2:30 p.m., Monday, October 28, 1957
Room 819 District National

Attendance:

MDAC

Admiral DeLany, Chairman
Mr. Hale, Executive Committee Chairman
Mr. Barlerin
Mr. Tucker
Mr. Kramer, Executive Secretary
Mrs. Huver, Committee Secretary

ICA

Mr. Slaght

ODM

Mr. Winant

State

Mr. Nichols
Mr. Wright

CIA

Mr. [REDACTED] 25X1A9a

Treasury

Mr. Marks

Commerce

Mr. Smith
Mr. Hockersmith
Mr. Tollin

Defense

Captain Thorp
Mr. Nichols

Agenda:

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1. Appeal from WG I on the [REDACTED] to Furnish Technical Data on Generators to Poland (Item 1266)

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expressed contrary opinions and asked that this matter be rescheduled for discussion at the October 29th COCOM meeting, at which time they hoped the U.S. would be prepared with its views.

In response to the Chairman's request for the views of the Defense and Commerce members, the Defense member said the first thing that bothers his agency is what they consider to be a real lack of guidance in implementing the policy which has been developed in the NSC relating to the satellite countries, and particularly to Hungary and Poland. He quoted statements from NSC policy and added that the only guideline he knows of where the U.S. made its position known here and in COCOM is as follows: "To make Western goods more readily available to Poland when such goods are demonstrated to be reasonable and necessary for Polish consumption and use." He said he did not believe it has been made clear, as a policy matter, what kind of civilian economy we are talking about. Are we talking about their present economy, or are we trying to expand their economy outside the field of consumer goods? Are we prepared to concur that they be furnished items for civilian economy which would also support their defense? He felt it had been a presumption by some of the agencies that if the Polish Government wants something, that an exception should be made, even if the item happens to be on IL I. That presumption seems to go so far as to say that items requested by Poland should not have the customary screening and strategic evaluation which is normally given to exceptions.

He added that his agency was bothered in the TEL case and they are bothered in the proposals under discussion, as they do not believe it has been demonstrated that this manufacture is reasonable and necessary for Polish consumption and use, at least at this time. It eventually might be of assistance to the Polish economy, but that would be perhaps four or five years from now. The only Polish guidance we have is NSC 5616/2, and that is interim U.S. policy.

Technically he felt that the export of technology and know-how, which would have to go as far as the providing of skilled labor know-how, would make a contribution to the Polish defense establishment also and, therefore, would be strategic.

The Commerce member stated that he finds himself in a position similar to Defense in that this whole approach in COCOM is on an ad hoc and piecemeal basis. He said he did not know of any criteria which has been agreed upon in COCOM with respect to Poland and he felt, lacking that, we could find ourselves in a very unsatisfactory position of downgrading controls on Poland to the point where they are practically useless.

He added that the cases in question get into a realm where the U.S. has been a leader in the world, and he felt we needed to exercise caution. If we give this to them, there would be no basis for denying others. He did not mean that after careful consideration and agreed policy in COCOM we would not be willing to consider it, but he did not like to see us move into an area where advanced technology is so limited. He also wondered why the Polish Government would attach conditions to the order for the furnishing of know-how if they need generators so badly.

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He pointed out that the so-called NSC guidance paper states that IL I items can be approved for shipment to Poland where it can be demonstrated that they are important or necessary for the civilian economy. He felt that we have every reason to say that, not only are these cases neither important nor necessary, but they are disadvantageous to the Polish economy. Poland is a country which needs everything and, to state that such a poverty-stricken country needs items of this magnitude seems to be fantastic. He felt this would work against the Polish economy. The only reason for such ultra modern installation is to achieve the maximum increment of 1/10 of one percent of efficiency. These latest developments, until recently have not been available anywhere but in the U.S. and to the free world. If these generators are to be used for electrifying the Polish railroads, he said the most economic installation would be a multiplicity of medium sized units. The manufacture of this type of equipment needs large special machine tools, a whole complex of metallurgical apparatus and materials, special steel casting facilities, and a whole production technology which is quite different from that involved in the type of equipment produced heretofore. This is the type of technical advance one would expect to be made by highly organized, highly efficient modern economy, which Poland does not possess.

The State member said that EDAC did not have to take responsibility for deciding whether this is the type of equipment best suited to Polish planning. His agency does not feel that these proposals would give the Soviet bloc any real advantage or know-how. In fact, they feel that objection would be inconsistent with the policy we are trying to carry out. State would like to see Poland looking more and more the the UK and Germany and the U.S. rather than to Russia in her trade and other arrangements and, therefore, they have difficulty in understanding the basis for objection.

State feels that the statements the NSC has made are sufficient guidance, granting the kind of common sense that EDAC can apply in a particular case. If the objections in these cases are entirely technical, then State should consider them seriously, but he did not think objections could be made on the basis of insufficient guidance on Polish policy. He felt there is no question--it is U.S. policy to promote Poland's reorientation to the West, and by objecting we would be working against ourselves. Therefore, State recommends that the Del be authorized to state that the U.S. withdraws its previous objections--which were made on incomplete information and misinformation.

The CIA member presented certain relevant information, which included the fact that the Bloc has as much information as the West on units up to 100,000 KW, but that there would be a serious risk in exporting know-how with respect to 200,000 and 300,000 KW units.

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The Chairman pointed out that although the [REDACTED] contract concerns generators with a maximum capacity of 100,000 KW, an inked notation on the copy received from the Economics Ministry indicates that upper limits would be held to 60,000 KW units.

The Commerce member said his agency is not concerned so much about the technology insofar as the design of the equipment is concerned, but rather the whole complex of power generation and thinking in terms of what Poland, in its

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present state of development, really needs. The Poles are not equipped to use this. In order to equip themselves to put this technical data into effect, they would have to engage in an extensive operation of capital investment, and they probably could not produce the generators for four or five years. This raises a question as to whether it meets the policy, as it would put a drain on the economy during those years.

He felt that he did not know enough about the facts to take the responsibility for approving it, as we understand the NSC policy, but he would not oppose it either. He felt there are risks and it should be incumbent upon us to learn more about them. He is concerned about the electric power emanating from the equipment. Also, since the [REDACTED] proposal is for a ten-year contract, he is concerned about the possibility of a continuing supply of advanced technology in this field. Poland ought to be required to make some statement as to why they need to go into this production. He suggested that we request a postponement and that this matter be discussed with the Poles in the discussions to start next week.

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The ICA member said he is puzzled as to what our Polish policy means and how far it goes. He felt, however, that if we are reasonably sure that we are not contributing any technology to the Russians, he could find no basis for maintaining objection.

In response to the request from the Commerce member that this be postponed and discussed with the Poles in negotiations next week, the State member pointed out that, in the previous Polish negotiations, U.S. officials tried to study and decide whether the Polish requests were urgent. Most of the members felt that such study could go on for years and, therefore, it was decided that we had to give considerable weight to Poland's priorities because we could not set up our judgment against theirs that certain things were not priorities. No doubt that will happen again this time. He added that he understands, from his contacts with the U.S. preparation for the forthcoming talks, there is no unwillingness to consider advanced types of machines if the Poles make a fairly impressive case that they are important for their plans.

The State member suggested that we withdraw our objections in these cases and use the upcoming talks to try to get a better understanding of their efforts, but he felt we could be deluding ourselves if we postponed a decision with the idea of settling the matter in the discussions. He added that if the Poles asked us for this equipment, it was his feeling that the U.S. would not only be willing to supply it, but also would be willing to finance it.

The Chairman pointed out that if, after all of the statements made about our willingness to help Poland and about a change in our export policy toward them, the free world denied this know-how to Poland and Russia supplied it, the Russians would have a good propaganda weapon.

In response to the Defense member's concern about the shipments of IL II generating equipment which have been licensed to the Bloc, the Chairman stated that during 1955 and 1956, with a quota of \$20 million, only about \$1.5 million

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of IL II Item 2266 went to the Bloc outside of Poland and about \$8 million went to Poland. For the first half of 1957, \$90,000 went to the Bloc and \$1.5 million to Poland. Therefore, the shipments have come no where near the quota.

After further discussion the Chairman said that this review seems to point toward the concern of some members that the ten-year contract might carry with it the furnishing to Poland of technology developed during that period. He therefore recommended that the Committee withdraw its objection to the proposals on the basis that the non-objection include provisos as stated in Decision above.

The State and ICA members concurred in the Chairman's recommendation.

The Commerce member did not withdraw his objection but said he would remain neutral, lacking more information.

The Defense member did not withdraw his objection but said that on the basis of the political considerations advanced by State, and on that basis only, his agency would not oppose any further. He stated, however, that he still felt it had not been demonstrated that this is reasonable and necessary to Polish civilian consumption and use.

The Treasury, ODM and CIA members expressed no positions.

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